

## Exhibit 2-D

11950 Kluttz Road  
Gold Hill, NC, 28071, USA  
Tel +1 304 444 5663

www.mclarens.com  
Phillip.dempsey@mclarens.com



December 10, 2017

Via E-mail: [akajani@swbell.net](mailto:akajani@swbell.net)

Anwar Kajani  
Katy Motels, Inc., dba Memorial Inn & Suites  
9535 Katy Freeway  
Houston, TX 77024

<b>Re:</b>	<b>Insured</b>	<b>:</b>	<b>Katy Motels, Inc., dba Memorial Inn &amp; Suites</b>
	<b>Date of Loss</b>	<b>:</b>	<b>August 25, 2017</b>
	<b>Type of Loss</b>	<b>:</b>	<b>Wind/Flood-CAT 1743-Hurricane Harvey</b>
	<b>Loss Location</b>	<b>:</b>	<b>9535 Katy Freeway, Houston, TX, 77024</b>
	<b>Policy Number</b>	<b>:</b>	<b>ESP 7302074 - 01</b>
	<b>Effective Dates</b>	<b>:</b>	<b>03/27/2017 – 03/27/2018</b>
	<b>Document Type</b>	<b>:</b>	<b>Partial Denial Letter</b>
	<b>McLarens File No.</b>	<b>:</b>	<b>007.004664.00</b>

Dear Mr. Kajani:

As you are aware, we are the adjusting firm engaged by Arch Specialty Insurance Company (hereinafter "Arch") to investigate the facts and circumstances regarding claim number 000013107760. This letter will serve to supplement our site inspection conducted on September 7, 2017 and review of applicable coverage.

Following our inspection, we engaged a structural engineer to inspect the building to determine the causation of water entry to the building. We engaged Envista Forensics, specifically, Mr. Erik Wetzler, P.E.

On October 6, 2017, Mr. Wetzler travelled to the loss location, met with you, and conducted his inspection of the building in question. Recently, we received a copy of the report of findings prepared by Mr. Wetzler.

In part, the report states the following in relation to the intrusion of the water from the exterior of the building to the interior of the building:

1. There was no wind or wind-borne debris damage to the building envelope or roof system caused by the effects of Hurricane Harvey.

2. The reported interior moisture damage incurred by infiltration through the roof and building envelope during Hurricane Harvey resulted from significant rainfall that exploited already-present deficiencies in the roof membrane and building envelope.

We draw your attention to form **00 EXP0100 00 08 14**, the **Causes of Loss-Special Form**, which specifically states the following:

**C. Limitations**

*The following limitations apply to all policy forms and endorsements, unless otherwise stated.*

*1. We will not pay for loss of or damage to property, as described and limited in this section. In addition, we will not pay for any loss that is a consequence of loss or damage as described and limited in this section.*

*c. The interior of any building or structure, or to personal property in the building or structure, caused by or resulting from rain, snow, sleet, ice, sand or dust, whether driven by wind or not, unless:*

*(1) The building or structure first sustains damage by a Covered Cause of Loss to its roof or walls through which the rain, snow, sleet, ice, sand or dust enters; or*

*(2) The loss or damage is caused by or results from thawing of snow, sleet or ice on the building or structure.*

Based on the findings of the retained structural engineer, the roof system and building envelope did not sustain wind damage, which would have allowed water to enter. Further, the water entry is a direct result of water entering in the building through already present deficiencies in the roof and envelope systems. **Regretfully, no payment for the roof and building envelope can be considered at this time.**

During our inspection, we observed direct physical damage from water that entered the building under the doors of the rooms, which was the result of an accumulation of surface water and the overflow of neighboring bodies of water stemming from Hurricane Harvey.

While the policy of insurance must be read in its entirety, we do draw your attention to certain language within form **00 EXP0100 00 08 14**, the **Causes of Loss-Special Form**, which specifically states the following:

**B. Exclusions**

*1. We will not pay for loss or damage caused directly or indirectly by any of the following. Such loss or damage is excluded regardless of any other cause or event that contributes concurrently or in any sequence to the loss.*

**g. Water**

*(1) Flood, surface water, waves (including tidal wave and tsunami), tides, tidal waves, overflow of any body of water, or their spray, all whether driven by wind or not (including storm surge);*

*(2) Mudslide or mudflow;*

*(3) Water that backs up or overflows or is otherwise discharged from a sewer, drain, sump, sump pump or related equipment; or*

*(4) Water under the ground surface pressing on, or flowing or seeping through:*

*(a) Foundations, walls, floors or paved surfaces;*

*(b) Basements, whether paved or not; or*

*(c) Doors, windows or other openings; or*

During our inspection, we did observe damages that were created as a result of wind blowing out certain windows, which allowed water to enter the respective units. We have prepared an estimate for these damages. Our estimate totals \$62,336.27. Your policy states that there is a 2% windstorm deductible in the amount of **\$80,300.00**. This is calculated by taking 2% of your total values for all coverages, which is \$4,015,000.00. Presently, no payment can be considered as the quantified loss is less than the per-occurrence deductible.

In order to finalize this claim, we respectfully ask that you submit your claim for potentially damaged Business Personal Property and for potentially lost Business Income. Please submit the claim information and supporting documentation for these portions of the claim in the next thirty (30) days.

Please be advised that our investigation should not be construed as an admission of liability on the part of your insurance company. On the contrary, you are affirmatively advised that Arch Specialty Insurance Company does hereby reserve each and every right it has under and pursuant to the policy of insurance upon which claim has been made, and we shall continue to conduct our investigation of this loss subject to the Reservation of Rights.

Neither you nor anyone acting on your behalf should construe any statements or actions by your insurance company or its representatives to constitute a waiver of any rights under the policy of insurance in question, unless such a specific waiver be communicated to you in writing.

All the conditions specified in the policy are expressly reserved and the rights of your client are not to be deemed in any way. We are currently in the process of continuing our loss investigation. Upon the completion of our investigation and document review, complete supporting claim documentation will be submitted to Arch Specialty Insurance Company for their review and consideration of coverage.

Should you have any question or comments, do not hesitate to contact the undersigned.

Very Truly Yours,



**J. Phillip Dempsey II** | McLarens  
National General Adjuster

11950 Kluttz Road  
Gold Hill, NC 28071  
+1 704.445.5959 | office  
+1 304.444.5663 | mobile  
[www.mclarens.com](http://www.mclarens.com)

**Enclosures:**

1. Engineer Report and Photographs

CC: Genessee Special Brokerage  
Debbie Mervis  
[dmervis@genesseeins.com](mailto:dmervis@genesseeins.com)